



CHEMONICS INTERNATIONAL INC.

ADVANTAGE DR: NATIONAL COMPETITIVE STRATEGY FINAL REPORT

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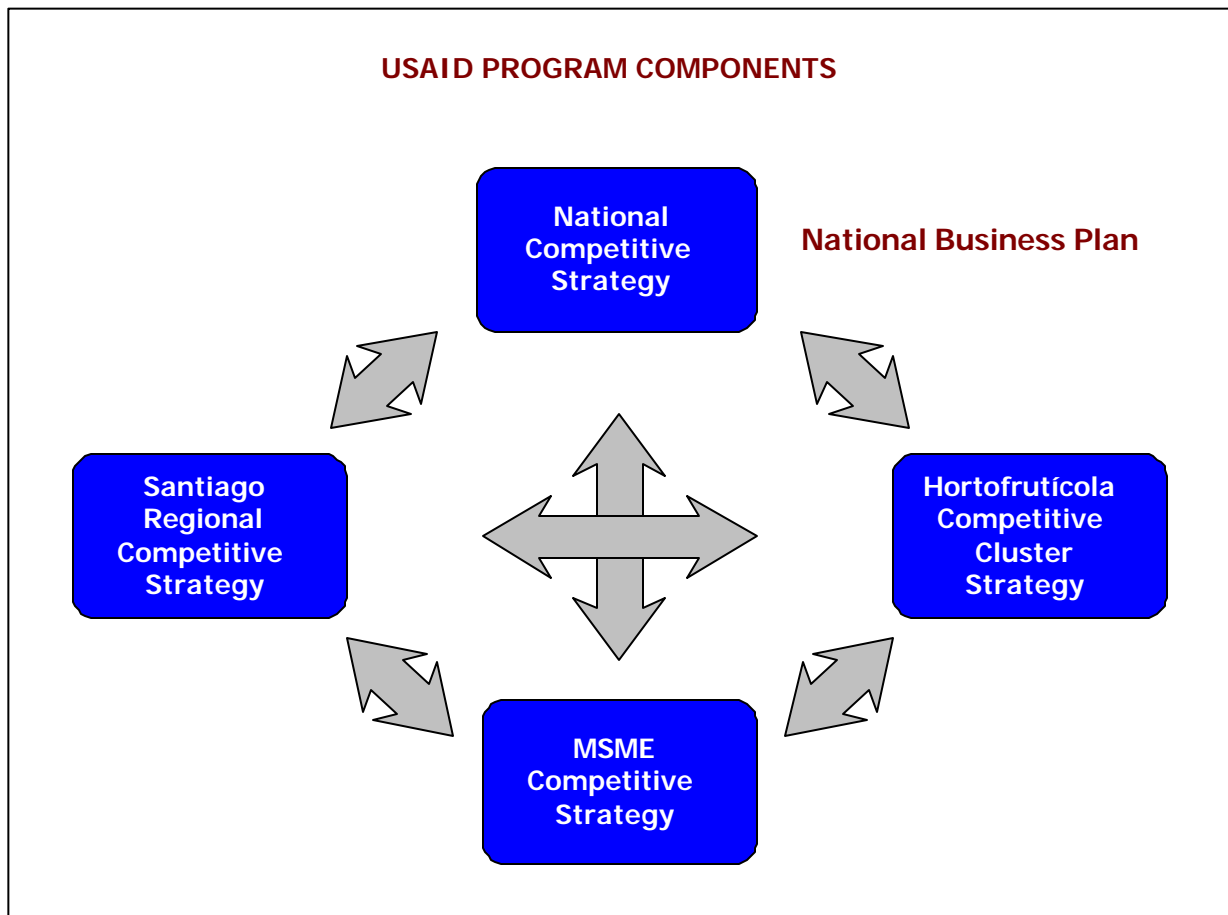
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I. INTRODUCTION

The **United States Agency for International Development (USAID)** contracted Che-monics International Inc. in 1999 to undertake a program titled “**Competitive Strategy for the Dominican Republic.**” The objective of the program was to support various initiatives underway in the Dominican Republic, especially by the private sector, to develop the country’s competitive capabilities and to improve the standard of living of all Dominicans. USAID and the contractor team officially launched the program in Santo Domingo and Santiago on November 18 and 19, 2000, respectively.

The USAID program is composed of the four following individual projects: the **National Competitive Strategy**, a **Competitive Strategy for the Santiago Region**, a **Competitive Strategy for the Fruits and Vegetable Cluster**, and a **Competitive Strategy for Micro and Small Enterprises**. All of these projects are interlinked and, as a group, represents an integrated approach to address competitiveness in the Dominican Republic (see diagram below). The Santiago regional and cluster projects are intended to serve as pilot projects that could be used to promote regional and cluster development in the DR.

This report covers only the **National Competitive Strategy Project**. The objective of this final report is to present in summary form the background, project objectives, strategic planning process, conceptual framework, lessons learned, follow-up activities and key elements that comprise the National Competitive Strategy project.



II. THE NATIONAL COMPETITIVE STRATEGY PROJECT

The National Competitive Strategy project contemplated providing technical assistance to the Competitiveness Group so that, within an open and participatory strategic-planning process, it would articulate a long-term strategy and vision for the Dominican Republic (DR). The objective of the project was to establish an action-oriented framework that would help get underway a national development effort geared to establishing a more competitive, sustainable and equitable economy. The national strategy project was formally launched in December of 1999¹; project planning took place in January 2000; the strategy design process started in February 2000; and the strategy paper was completed during the month of July 2000.

The **Competitiveness Group** is a virtual group comprised of leading businessmen and representatives from the public, educational, media and provincial sectors. Private sector leaders have been responsible for organizing and coordinating the Group's competitiveness promotion activities. The Competitiveness Group began meeting at the end of 1997. It was responsible for organizing and implementing the *Development and Competitiveness Symposium* held in 1998 with the private, governmental and political sectors in Santo Domingo and Santiago and the *Competitiveness Workshop* held in Cambridge, Massachusetts, held in early 1999 at the Monitor Company, attended by representatives of the legislative, governmental, political, media and private sectors. These events were partially funded by USAID and served as a basis to structure and set the stage to implement the national competitiveness project presented by the Group to USAID. The Group also received support from the IDB to cover expenses of speakers from Mexico to present the experiences of the successful Chihuahua XXI Century competitiveness, regional and cluster development program. The Group's slogan has been "**Advantage DR**" and it has promoted a positive outlook of the country's future and the belief that with vision and determination the Dominican Republic can become a net winner in the global economy.

During the project launch event, 62 persons registered to participate in the strategic planning process (work groups). After the event, an additional 12 persons, who could not attend, also registered. Various work groups were established to complete the preliminary strategic analysis phase² and a Vision Group³ was established to be responsible for consolidating the individual work group analysis, managing the strategy design process and putting together the national competitive strategy paper (see the photo below showing the Vision Group at work). Participation in the work groups was voluntary.

¹ This event, held December 7, had as principal speakers Michael Fairbanks from Monitor Company; Felipe Larrain from Harvard University (Director of the HIID Competitiveness Agenda project in Central America); and Alonso Ramos Vaca, President of the Chihuahua Economic Development program. The President of the country, Dr. Leonel Fernandez, attended part of the session and presented comments on development and competitiveness challenges in the DR.

² Five functional workgroups were established to conduct the preliminary strategic analysis: macro economy, micro economy, social, environmental, and micro and small enterprise. A total of 68 persons participated in the work sessions that undertook the SWOT analysis; determined the critical factors needed to make the Dominican economy and enterprises more competitive; and identified possible lines of action.

³ Thirty-four people comprised the Vision Group, including the Facilitator from each of the functional work groups; and the Facilitator or Coordinator of the Santiago, cluster and MSME strategy groups. On average, 21 persons attended Vision Group meetings. A special session was held with Michael Fairbanks of Monitor; Eric Hansen of Economic Transformations; Leonel Guerra of Chihuahua XXI Century; Kevin Murphy of JAA; and Susanna Mudge of Chemonics, to serve as a best-practice sounding board with respect to the strategy approach and thrust followed by the Vision Group.

VISION GROUP AT WORK



Mr. Luis Molina Achecar, President of BHD Bank, and Mr. Luis Manuel Pellerano, President of the Las Americas Free Zone, were elected Facilitator and Alternate Facilitator, respectively, of the Vision Group. Mr. Antonio Rodriguez Mansfield, consultant responsible for the national strategy project, acted as Coordinator for the project and Competitiveness Group. In addition, the project counted with the following staff: Dr. Pedro Silverio, Senior Economist, who was responsible for doing the initial economic analysis and acting as Facilitator of the Macroeconomic Work Group; Ms. Pilar Haché, Economist, who helped to provide analytical support to the Vision Group and in putting together the macroeconomic policy framework; and Luis del Toro, Research Assistant, who assisted in establishing the economic information base.

The Vision Group also had as members Mr. Manuel Jose Cabral and Felix Garcia, past and current President of the Santiago Development Association, an executing agency for the Santiago regional competitiveness project; Mr. Jaime Moreno, Vice President of Helados BON, and facilitator of the fruit and vegetables cluster project; and Mr. Claudio Adams, Executive Director of the Micro and Small Enterprise Assistance Center (CAMPE) of INTEC, and coordinator of the micro and small enterprise project. Their involvement was critical in ensuring effective coordination of the work done among the national, regional, cluster and MSME projects, especially with regard to the vision and strategic positioning statements.

The project deliverables included the following:

1. National Competitive Strategy, comprehensive document in Spanish.⁴
2. National Competitive Strategy, principal elements of the strategy in Spanish.
3. National Competitive Strategy, summary tables of priority projects in Spanish.
4. National Competitive Strategy, PowerPoint slides presentation in Spanish.
5. National Competitive Strategy, PowerPoint slides presentation in English.
6. National Competitiveness Strategy, final report in English.

The objective of this final report is to present in summary form the background, project objectives, strategic-planning process, conceptual framework, lessons learned, follow-up activities and key elements that comprised the National Competitive Strategy project.

⁴ It includes a summary of the regional, cluster and SME projects, as well as the economic analysis supporting the macro policy framework and a detailed matrix of priority projects.

III. PROJECT OBJECTIVES

During the project design and subsequent planning session, it was established that the project had four main objectives:

1. To articulate a *vision of the future* for the country; that is, define what we want to be as a nation (a picture or snapshot of the future).
2. To establish a countrywide *strategic positioning*; that is, to determine how best to compete in a global economy.
3. To establish the *strategic lines of action* needed to materialize the vision and achieve the positioning desired; that is, to define a road map of how to get there.
4. To increase *social capital*; that is, to establish effective cooperation and collaboration among participants.

All four objectives were fully achieved through a participatory strategic-planning process.

PROJECT RESULTS

1. National Competitiveness Strategy completed

- a) Vision of the future articulated
- b) Strategic positioning determined
- c) Strategic lines of action defined

2. Participatory strategic-planning process completed

- a) Private sector leadership
- b) Effective cooperation among participants
- c) Social capital gains

IV. STRATEGIC-PLANNING PROCESS

During the work-planning session, the Vision Group decided on two important reference points. First, to follow a corporate-style strategic-planning process, recognizing that practical adjustments would be needed since the entity the group was dealing with was a nation, not a corporation. Second, and if feasible, to ensure that the resulting national competitive strategy would represent a business approach to economic development. Both were accomplished.

Given the time and budgetary constraints⁵, the planning process focused in completing five steps or phases, as follows:

1. Completing a planning and preliminary strategic analysis phase to plan activities and identify the critical factors that affect the competitiveness of the Dominican economy. It was carried out during the months of January, February and March 2000.
2. Carrying out a visioning exercise during the month of April 2000.
3. Defining general positioning strategies during the month of May 2000.
4. Identifying, defining and quantifying priority projects and reforms needed to implement the strategy, and putting together the final strategy paper. This phase was completed during the months of June and July 2000.
5. Undertaking a consensus-building process among different segments of society, including key entities and target audiences within the public and private sectors. This process was started in late August and is scheduled to proceed through the month of December 2000^{6/7}.

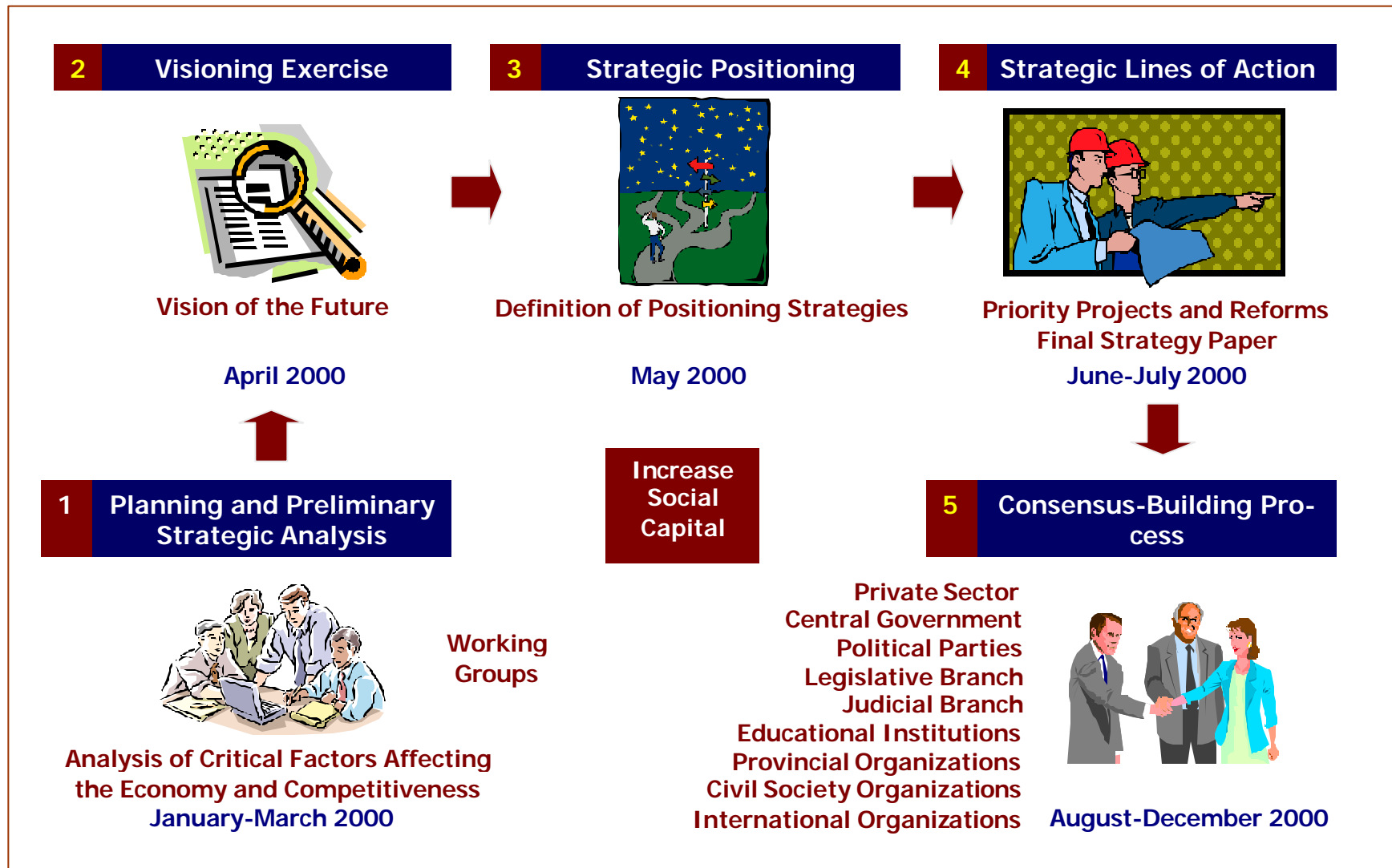
See the diagram below depicting the strategic-planning process followed.

⁵ Competitiveness strategy projects carried out in other countries and regions have taken between 18 to 30 months, and sufficient human and financial resources were made available to undertake the needed multiple detailed analysis and to complete the different planning processes. International organizations, such as the World Bank, have funded some of these initiatives. Although the DR project's reach and range was more limited because of said constraints, it can be concluded that it was, nonetheless, a very cost-effective effort when compared to similar endeavors in El Salvador, Morocco, Mexico, Malaysia, Colombia, South Africa, Northeast Brazil, Guatemala and the Central American regional project. The DR project could be considered as the first phase of other country projects, but specific enough to launch a national development strategy.

⁶ The Competitiveness Group will most likely continue this phase through the first quarter of 2001, since it is difficult to organize events around and during the Christmas season. Between August and November, the Competitiveness Group has made twelve presentations of the NCS, including leading business associations, government agencies, provincial development organizations and international agencies, all of which have expressed agreement with or indicated their support of the national strategy.

⁷ The Vision Group presented the vision statement to the President during the political campaign, which was well received. It was agreed that the strategy would be presented to him after it was completed. The Competitiveness Group is making efforts to arrange a meeting between key economic cabinet members and advisors, the private sector and the international donor community, to discuss the strategy and explore undertaking some joint projects, as well as to arrange the presentation to the President, which is a key milestone to ensure public sector commitment to strategy implementation.

STRATEGY DESIGN PROCESS



From the above process, it is important to note the effective leadership exercised by Vision Group members, the substantial amount of the time invested by them to complete the participatory strategic-planning process, and the continued effort by Vision Group leaders to ensure that the national competitive strategy is assimilated by the public and private sectors alike.

In order to complete the strategic analysis and planning phases within the established project parameters, the project staff made an inventory of all the principal economic analysis and development agendas related to the Dominican Republic that had been prepared or proposed by governmental institutions, political parties, private entities and international organizations. It also provided the inputs gathered from ongoing national dialogue processes. This material was presented to the Vision Group to determine its relevance and usefulness to the strategy design process, so as not to duplicate efforts. The project coordinator also presented development and competitiveness agendas of other countries and regions to the Vision Group, as a reference, especially those considered as best practices. This information helped guide the work of the Vision Group and reduced assessment time during the different planning phases.

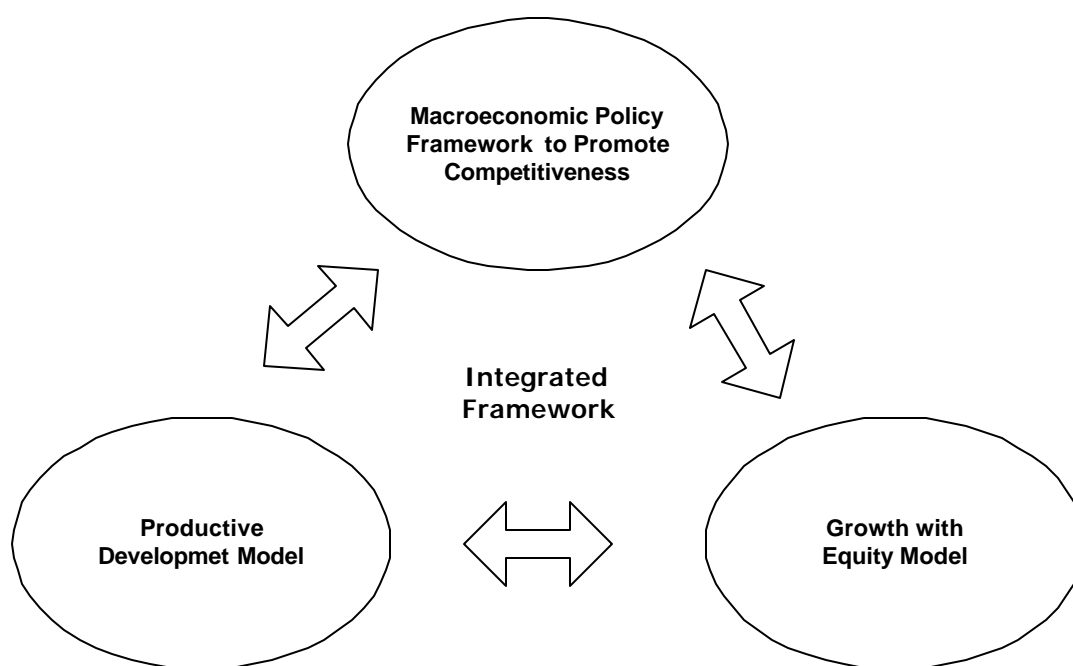
Another noteworthy element of the process is that the strategy that evolved was bottom-up, put together by Vision Group members and not by consultants, which allowed them to become stakeholders of the process and the end product. It also allowed them to become the strategy's main proponents, even after the project concluded, as it is, in the end, their strategy.

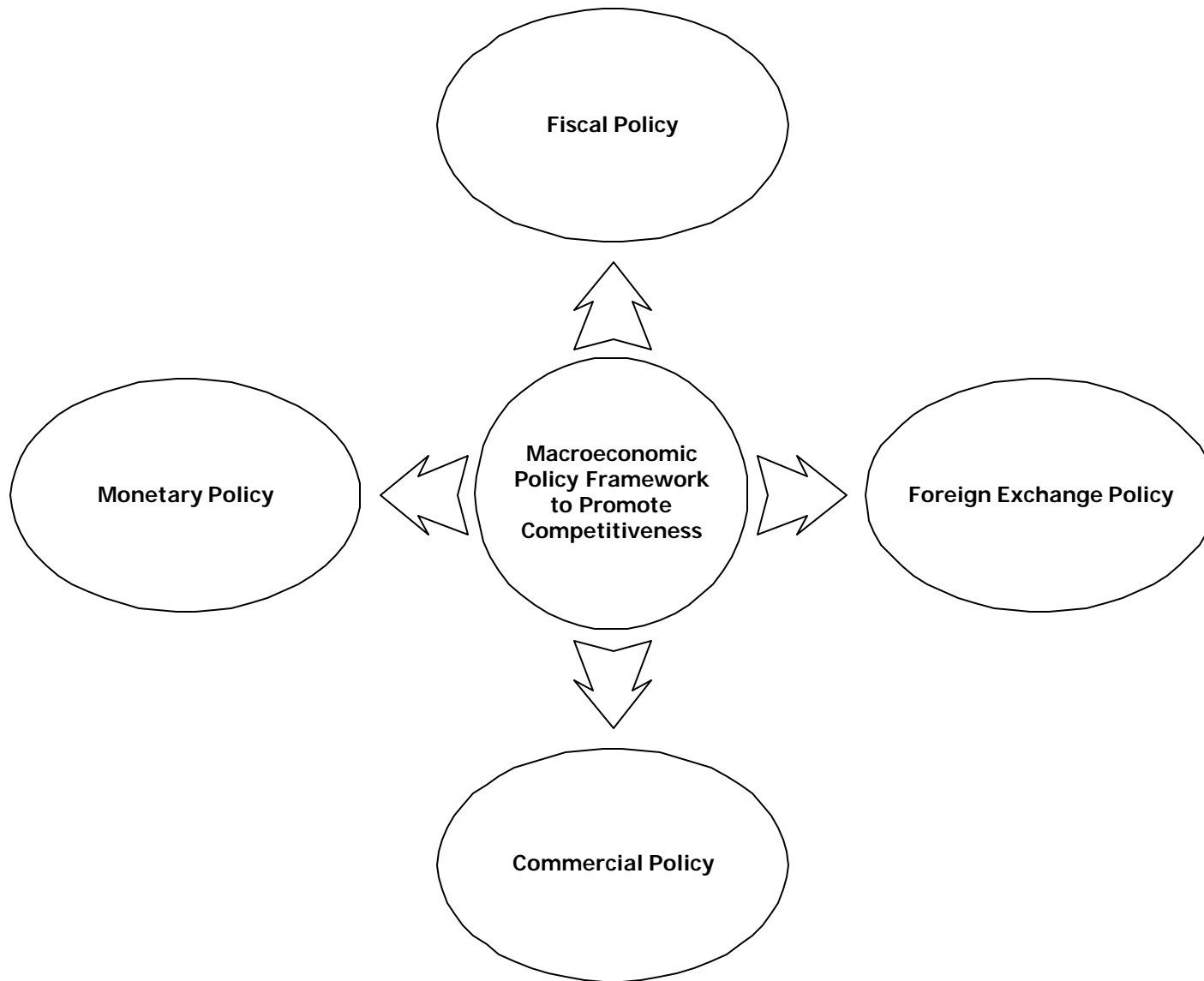
V. CONCEPTUAL FRAMEWORK

During the initial strategy design process, the Vision Group decided it was important to establish a conceptual framework that would help guide their work, especially considering the time limitations to formulate the strategy. A review was made of the different critical functions relating to economic management and functional approaches to development and competitiveness built into agendas in countries and regions considered best practices. As a result, the Group identified a strategy conceptual framework with three main elements:

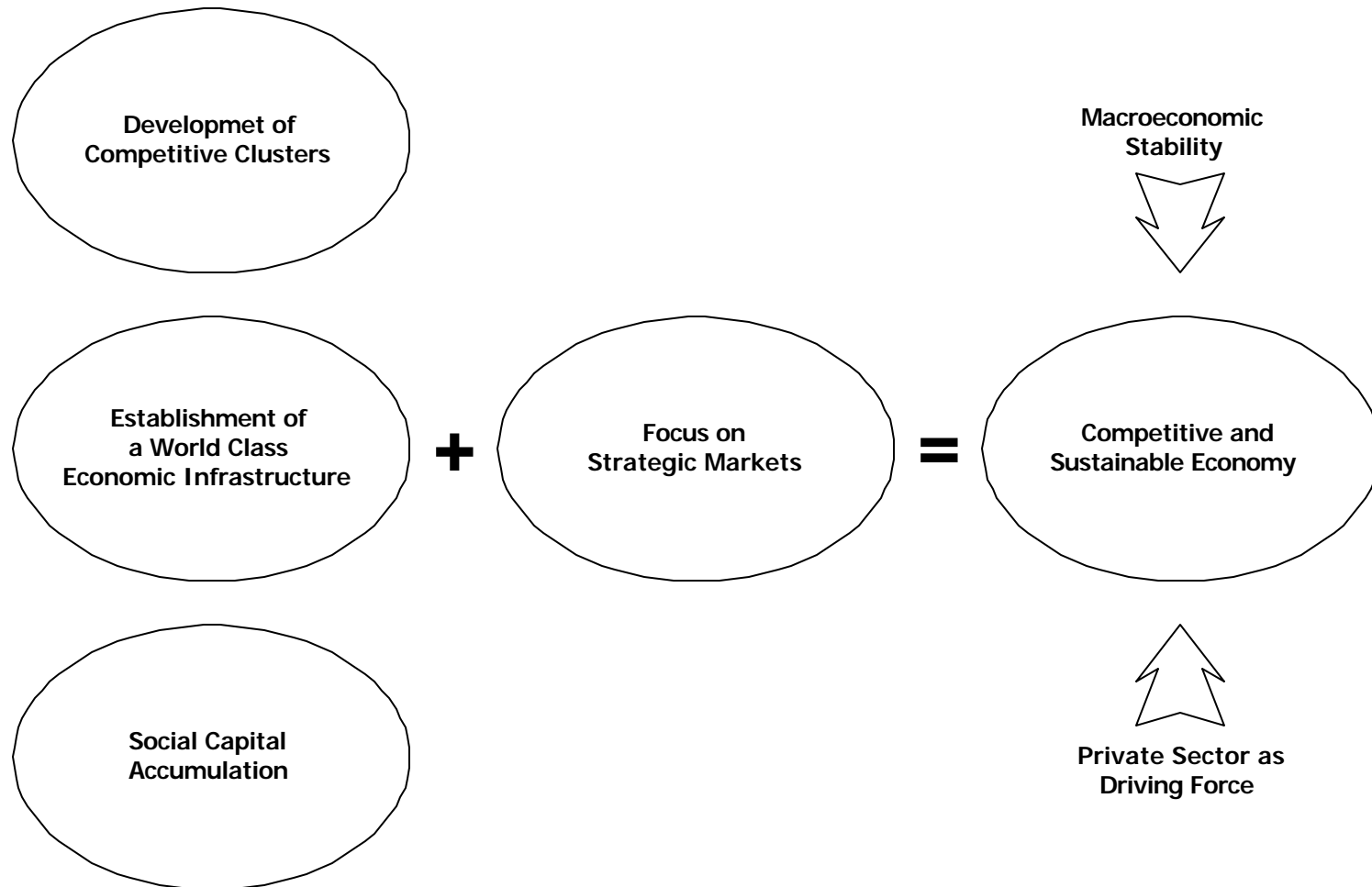
1. Establishment of a *macroeconomic policy framework* that would promote competitiveness, based on four key coherent and interrelated policy areas: fiscal, monetary, foreign exchange and external trade.
2. Establishment of a *productive model*, based on the development of internationally competitive clusters, the provision of a world-class economic infrastructure, and promotion of the accumulation of social capital. It is strongly believed that with a focused approach to strategic markets, accompanied by macroeconomic stability and the private sector as a driving force, the model would result in a competitive and sustainable economy for the DR.
3. Establishment of a *growth with equity model*, centering on the development of human capital as the means to acquire new skills needed to produce more value-added goods and services that would provide higher incomes and increase wealth for the nation.

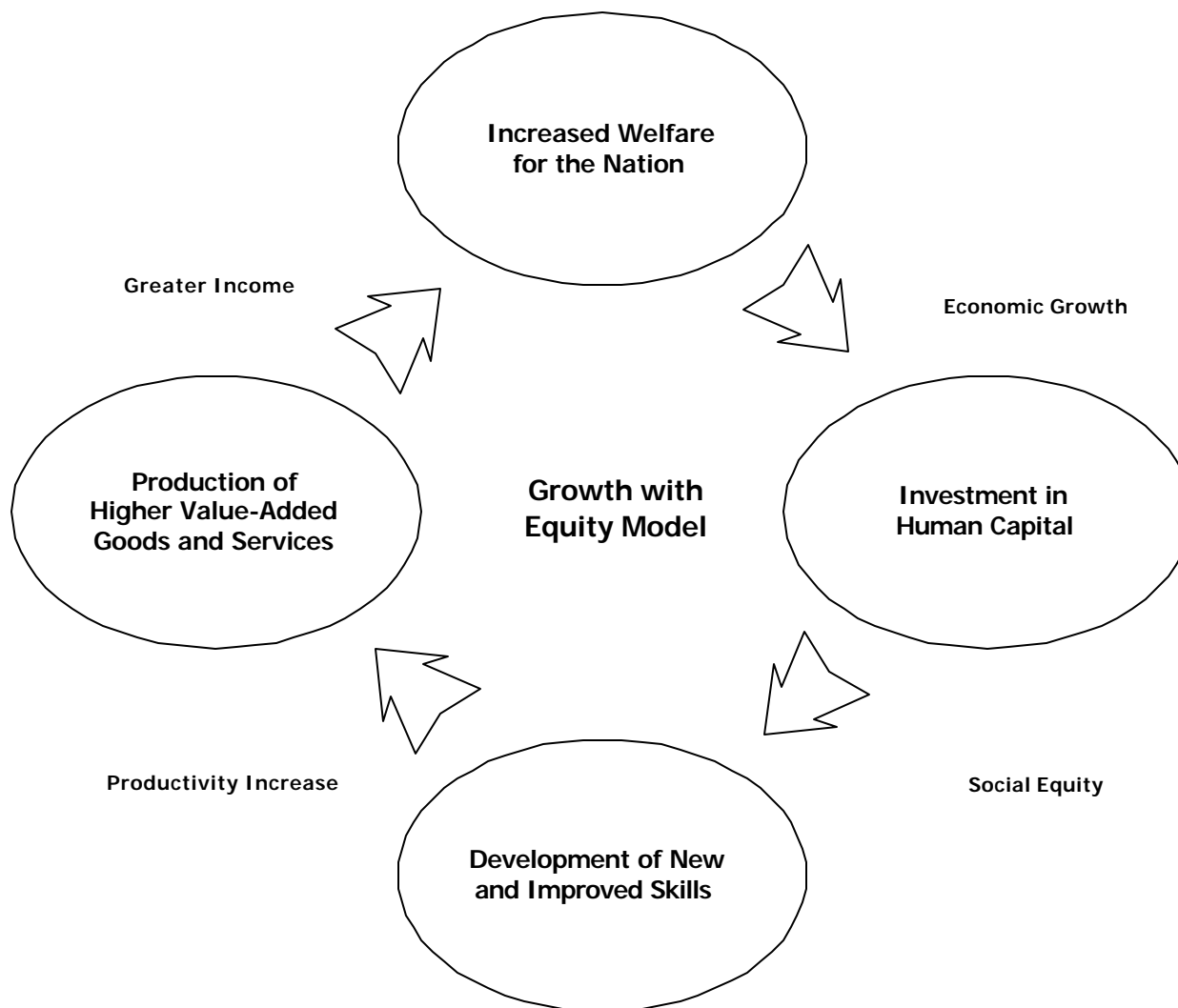
The Vision Group understood that each would provide the basis for the policy choices, competitive discipline and growth functions that needed to be dealt with in the national competitive strategy. The following diagrams summarize each of the above functional models that comprise the strategy's conceptual framework.





Productive Development Model





VI. LESSONS LEARNED

As part of the project design, the following five premises were established:

1. Participatory strategic-planning process was the best model to follow.
2. Participants should produce the strategy, not consultants.
3. Process owners were needed to ensure that a shared strategy would evolve from the project.
4. Recognition that the DR society is highly fragmented, with lack of trust and very low levels of social capital accumulation (cooperation and collaboration infrastructure).
5. Requirement for careful sequencing of the project's activities. Given the fragmented society environment prevailing in the DR, it was important to sequence the process correctly. First, it required ensuring that a representative and quality nucleus from the private sector produced the strategy, then expanding the reach through a follow-up promotion campaign. Secondly, it meant targeting the new administration that would take office in August 2000 in order to establish a strategic alliance for strategy implementation. Third, it required undertaking broad-based strategy dissemination and assimilation effort, especially at the provincial level.

These premises helped guide how the Competitiveness Group approached project implementation.

The principal lessons learned are:

1. You cannot force a participatory strategic-planning or work process. There is a learning curve or sub-process that needs to be managed correctly to ensure the broadest possible base of support and proactive participation. National strategic-planning projects need to account for sufficient time to work on the learning process, especially in a socially fragmented society and during electoral periods.
2. The process needs to focus first on the human factor, attitude and mental states to effectively promote mindset changes. There is a need to provide an information base, allow different inferences from the same sources and then seek consensus on common denominators that will bond participants. This is why the Vision Group concentrated first on agreeing to a conceptual framework to guide strategy design. This is part of the above-mentioned learning process.
3. When the participants formulate the strategy (bottom-up approach), not only do they become stakeholders they also become champions of the process. The strategy leaders become change agents. This is, in the Consultant's view, a prerequisite for any similar type of project, such as regional or cluster development initiatives.
4. The strategy focus that evolved is more business-oriented than the traditional public sector approach. This requires that the government adopt a business vision to development and the private sector adopt a social vision or perspective to business development. The Vision Group agreed that producing these mindset changes would be para-

mount to strategy assimilation by both the public and private sectors.

5. The Vision Group also found that better sequencing was needed in a program that simultaneously implemented a national, regional, cluster and SME competitiveness project. The priority projects of the national strategy are prerequisites to ensure effective regional and cluster development. As Professor Michael Porter has repeatedly stated, the received wisdom had been that you build competitive advantage *within* the firm; however, the new learning is that much of the capacity to create competitive advantage lies *outside* the firm. Thus, the national strategy addresses many of those outside elements that are needed to improve the microeconomic context of competitiveness, especially as related to the education, training, technology, quality, physical infrastructure and public policy frameworks. The group felt that because of the sequencing followed, both the regional and cluster projects did not address or incorporate as needed these outside elements that were fundamental to each project. The Group understood that this occurred because both of these projects moved at speeds equal to or faster than the national strategy. However, it does raise the issue how best to approach sequencing in these types of programs in the future.
6. Although the national competitive strategy is a first in the DR, in terms of putting together a document that can serve both as a framework for corporate strategies and a governmental development plan, there is a big challenge in migrating from excellent design to excellent implementation. Thus, the Vision Group recognized that until some of the priority projects are underway, the strategy is just a piece of paper. Therefore, a crucial phase of a participatory strategic planning process is the follow-up promotion, assimilation and initial implementation phases. In this regard, the Vision Group felt that USAID's overall program resource distribution was not appropriate, both in terms of project phases and within the projects themselves. A better bridge was needed to carry the project from design to initial implementation.
7. Throughout the planning sessions, many divergent views on competitiveness and the global economy emerged or were put forward. The Vision Group recognized that the wealth of a nation is determined by its productivity and the way it uses human capital and natural resources. However, it was also found that it was difficult for many public and private sector leaders to understand that, as indicated by Professor Porter, it is not *what* industries a nation competes in that matters, but *how* firms compete in those industries. This was very much under discussion as the Vision Group held its sessions to determine the best overall strategic positioning for the country and how to compete in the global economy. In this regard, the Vision Group learned that seminars, workshops and strategy sessions on competitiveness need to be more focused and practical, with specific relevant examples, and that there has been too much repetition of the same broad principles. If governmental authorities and firms are to better understand and determine how to compete within industries and in the global economy, then the messages need to be brought down to more real-world situations linked to the Dominican environment.

VII. FOLLOW-UP ACTIVITIES

Following the conclusion of the national strategy preparation process in July, the Competitiveness Group established an action plan to be carried out during the August to December 2000 time period.⁸ This plan comprised three main activities:

1. *Strategy promotion*, so that targeted audiences can better assimilate and support the strategy. Targeted audiences include business associations, public sector authorities, provincial development groups, civil society groups, the educational sector, the media (newspapers and TV), and international multilateral and bilateral organizations. Between August and November, the Competitiveness Group made 15 institutional presentations of the National Competitiveness Strategy.⁹ It also made various individual presentations to leading business, governmental and political leaders promoting a better understanding of the strategy. The intent is to continue with the national strategy promotion activities until a critical mass of targeted individuals have been reached and a broad consensus regarding the benefits and elements of the national strategy has been achieved.
2. *Strategic alliances*, so that national strategy priority projects can be implemented through a joint effort between private sector, government and international funding organizations.¹⁰ The Competitiveness Group is taking steps to organize a tripartite meeting between the government, private sector leaders and international organizations review the national strategy and identify joint projects that could be implemented to show the benefits that such an alliance would have in promoting competitiveness and increasing standards of living. USAID/DR organized a meeting with the World Bank and IDB to solicit their feedback on the strategy and to identify the links between the respective country programs of these organizations and the National Competitive Strategy. Both organizations agreed with USAID to participate in the tripartite meetings being organized by the Competitiveness Group.
3. *Establishment of the Strategy and Competitiveness Center*, with the purpose of assisting the private sector in strategy formulation and in undertaking competitiveness initiatives (think tank). The Center would serve as a world-class executing agency for internationally funded competitiveness projects¹¹; and interfacing with government in competitive strategy formulation and implementation, especially as related to the design and execution of priority projects. The Center would also act as the national organization responsible for incorporating the DR to the global competitiveness ranking of the World Economic Forum in Davos.

The above action plan is being undertaken and funded by the Competitiveness Group.

⁸ The Competitiveness Group will most likely continue this phase through the first quarter of 2001, since it is difficult to organize events around and during the Christmas season.

⁹ These include the Tourism Association, the American Chamber of Commerce, the newly elected board of the National Private Enterprise Business Council, the Free Zone Association, the Dominican Businesswomen Association, the Federation of Industry Associations, the DR INCAE Competitiveness Committee, the Federation of Small and Mid-Sized Industries, the Development Association of La Vega, the Development Association of San Francisco de Macoris, the National Budget Office, USAID, IDB, the World Bank and the European Union.

¹⁰ Of specific interest are the cluster development and productivity enhancement programs.

¹¹ The idea is to have the Center implement the cluster development and other private sector-oriented projects.

VIII. NATIONAL COMPETITIVE STRATEGY: EXECUTIVE SUMMARY

The principal elements of the national strategy are the vision statement, the strategic positioning guidelines, the strategic lines of action or priority projects, institutional implementation structure and proposed strategy benefits and commitments. The following section briefly discusses each of these key elements.

A. Vision Statement

The Dominican Republic is a country with great opportunities to aspire to higher wealth levels. Because of this, it is important to establish a clear picture of the future depicting what it wants to be as a nation, so that it will serve as a reference point to guide development efforts by all elements of society. Articulating a vision of the future brings to economic agents and the general population a sense of direction, finality and trust. Also, since articulating such a vision transcends the electoral period of any one government, it is important that political leaders participate in the strategic-planning processes and assimilate the strategy content.

The Vision Group established the following *vision statement* for the year 2010:

The Dominican Republic will be the most competitive business, production and tourism center of the Caribbean and Central America, *with the greatest regional linkages to the world economy*, which will convert us into a prosperous country with a higher quality of life and social wellbeing for all Dominicans.

This is the group's snapshot of the future. The most significant and differentiating component of the statement is that the country would have *the greatest regional linkages to the world economy*. Using an Internet metaphor, the DR would become the *portal* of the region to the global economy.

The vision statement is premised on the DR private sector as the driving force for the equitable and competitive economic development of the DR. It also assumes an effective and decentralized state administration, an accelerated human capital formation process, more equitable growth opportunities, solid democratic institutions under which the rule of law prevails, and a morally and environmentally responsible society.

B. Strategic Positioning

Taking into account the current economic globalization process, the national competitiveness strategy design cannot be based on traditional decision-making premises, as the traditional forms of competition have become obsolete in a globalized economy. Various forces and new paradigms are in play, such as:

1. The globalization of consumption.
2. Market segmentation and changes.
3. The fast pace of technological change.

4. The presence of a new global workforce that allows for the efficient production of quality goods and services and rapid delivery throughout the globe.
5. Increasing linkages among national and regional production and value chains.
6. Significant reduction of economic distances, as a result of advances in transportation and telecommunications.
7. A high degree of mobility of goods, services and/or factors of production.
8. A higher degree of competition as new entrants come into the market at all levels, from different parts of the globe and at a faster pace.

If the Dominican Republic and its enterprises want to successfully compete in the global economy, they will have to adopt informed decisions and timely actions. If they do not decide and act on it, competing countries and firms will decide for them. Not taking a decision is taking one. Thus, strategy formulation and strategic position are paramount to competing effectively in the global marketplace and to long-term success.

Throughout the course of the strategy sessions, the Vision Group learned that:

1. Competitive advantage forms the basis for decisions on strategic positioning.
2. Strategic positioning involves the decision on where and how to compete.
3. Relative competitive position determines the feasibility of achieving the desired positioning.

After evaluating and taking into account the realities of the national production structure, global market trends, economic integration opportunities, the action being taken by competing countries and firms, the evolution and perspectives of the national market, and the preliminary findings of the regional, cluster and other similar projects, the Vision Group defined two set of strategic positioning statements for the public and private sectors.¹² The core elements of these positioning statements are summarized below:

1. To develop world-class production factors, especially of the country's physical infrastructure, to convert the geographic location of the Dominican Republic into a national competitive advantage. Highly competitive countries and regions demonstrate that the most important inputs or production factors are specialized. The country will need to improve the accessibility, quality and specialization of these factors if it is to achieve its vision of the future and to act as a regional portal to the global economy.
2. To reduce country costs through structural reforms thereby allowing factor costs and economic prices to move closer to international levels. Country costs, comprised of economic prices, factor costs and transactional costs, all of which influence firm costs, are relatively high in the DR. Of priority is to reduce the external cost structure of enterprises so that they can enter and successfully compete in export markets. Perhaps, the

¹² The strategic positioning statements are intended to serve as overall or broad-based guidelines in establishing public investment and corporate strategies.

least understood phenomena are the microeconomic reforms needed to establish an enabling environment for productivity and competitiveness-enhancement within firms.

3. To offer higher value-added or new product and service offerings; and to serve more profitable market segments, to help diversify the existing production base and develop competitive advantages. To continue to compete on basic factors and in market segments where the entry of new competitors is greater and faster, and the offering of lower prices is not sustainable over time. Thus, not only does the DR have to incorporate its domestic economy into the global economy, but the external economy, represented by tourism and free-zone exports, also need to migrate to new offerings in order to continue its future growth. This is especially important taking into account the impact of new international markets, and regulatory and technology changes underway.

It became evident throughout the national strategy design process that firms will need to push the productive frontier upwards through the adoption of international best practices. They will also need to achieve greater integration of national production chains and migrate to a strategy of continuous improvements and marketing to become winners in the global marketplace. Even to prevent being displaced from existing markets, where firms benefit from comparative advantages, they will need to increase operational efficiency, productivity and the quality of products and services being offered. This is due to the increasing competitive forces at play, especially at the lower price commodity product or service segments. As new entrants come in at a faster pace and with lower prices, or the lifecycle of these products and services comes to an end, firms will have to identify new market segments and add value to their offerings.¹³

The Vision Group identified a national production base comprised of four interlinked segments: **services, light manufacturing, exploitation of national resources, and logistics and distribution**. Based on available information, the Group identified within each segment products with high potential growth in the world market, or products or segments that would need to make adjustments to continue to compete in the world economy.

As part of the strategic positioning exercise, the Vision Group also recognized the importance of establishing national, regional and product *brands*. The goal is to occupy a preferential position in the minds of the international consumers with respect to competing countries. There are segments in which the Dominican Republic has successfully been recognized as a first-rate worldwide producer, or have products that are first-rate but are not recognized as such. As a reference point, the Group decided to adopt the **"Advantage DR"** slogan, including the supporting phrase *"the competitive advantage of being competitive"*. The fruits and vegetable cluster group is working on their product seal **"DR Caribbean"** and code of ethics for producers and exporters to gain recognition for offering environmentally friendly, high value-added products in the US market. The Vision Group recognized that various

¹³ In the strategy document it is emphasized that this does not mean going into high-technology or sophisticated and advanced products or services, but adding attributes that would differentiate the DR's offerings from competitors or in segments in which consumers are willing to pay a premium for these attributes. The example given in the document is of producing a low-fat organic avocado with the right specifications, in which a firm adds health and environmental value to the product; and which the market is willing to pay a higher price to purchase. To produce the avocado a producer would be taking advantage of microclimate conditions that are unique to the DR; obtain improved varieties through focused research; and obtaining the requisite organic certification that requires changes in managing the planting and production process. In this manner, the firm or producer would achieve competitive advantage in a basic product that is difficult to emulate given the requisites for its production.

countries, regions and product groups had achieved higher prices through effective imaging and branding. For example, Blue Mountain coffee, which uses Dominican coffee to make their mix, is sold at a significantly higher price per pound in the United States than Dominican coffee. The DR has equivalent product quality offerings that it could sell at higher prices if emphasis was placed on quality, branding and imaging.

C. Strategic Lines of Action

As mentioned above, the Vision Group did extensive research utilizing available studies on the DR economy. This enabled it to identify key reforms underway or proposed by different organizations, political parties, international organizations [country strategy papers] and development agendas proposed by other national and international organizations. Based on this information, the Vision Group identified the most relevant programs and then proceeded to do its own internal assessment of priority areas.

As a result, the Group identified four areas of intervention to serve as the framework for converting the Dominican Republic into a more prosperous and equitable nation. These are **human capital development, productive development, improvement of public management, and poverty reduction**. The first three address the external elements that influence the competitiveness of firms and the need to improve living conditions. The last is necessary to achieve social stability for competitiveness.¹⁴

After having identified priority areas of intervention, the Vision Group selected ten projects that it considered paramount to achieving increased wealth and living standards and which it also understood were prerequisites to launching or making effective other structural reforms. For each program or project, the Group established *goals* to be achieved and that could serve as benchmarks to measure progress.

The ten priority projects that comprise the National Competitive Strategy are:

HUMAN CAPITAL DEVELOPMENT

1. National Educational Modernization Plan, 2001-2010
2. National Health Modernization Plan, 2001-2010
3. Pension System Reform, 2001

PRODUCTIVE DEVELOPMENT

4. Cluster Development Program, 2001-2004
5. Productivity Enhancement Program, 2001-2004
6. Trade Facilitation Program, 2001-2003

IMPROVEMENT OF PUBLIC MANAGEMENT

7. Integrated Public Financial Management Program, 2001-2003
8. Macroeconomic Policy Framework to Promote Competitiveness, 2000-2001
9. Integrated Physical Infrastructure Improvement Plan, 2001-2010

¹⁴ In reality, if the country were well-advanced in the human, productive and State development curve, there would not be a need for broad-based poverty reduction programs. However, since this is not the case in the DR, there is a need to implement focused poverty-reduction projects.

POVERTY REDUCTION

10. Integrated Plan to Combat Poverty, 2001-2010

Each plan or program, except for the pension system reform, has subprograms, projects or policy subdivisions. Much of the responsibility for project implementation lies with the government, although some areas of focus, such as the cluster development and productivity enhancement programs, are fundamentally dependent on private sector implementation that in turn counts marginally on the establishment of an enabling implementation environment by the government. The objective is to establish strategic alliances with the government to implement projects through joint or complementary efforts. Some of the initiatives include or are linked to various reforms approved but not implemented or pending approval by Congress, such as financial sector reform and unification of the exchange markets under the macroeconomic policy framework. As can be noted, most are medium and long-term initiatives. Some of the specific programs or projects are being supported through loans and technical cooperation from multilateral and bilateral donors. For each plan or program, cost estimates have been made and international funding has been identified. A detailed matrix of priority projects is presented as part of the complete strategy document.

In addition, the Vision Group identified the following projects as key elements of the national strategy framework:

1. Environmental reform.
2. Market reform (competition policies, intellectual property rights and consumer protection).
3. Judicial security (property titles, contracts and arbitration).
4. One-stop windows for permit and licenses (internal and external trade).
5. Modernization of the labor market.
6. Judicial system modernization.
7. Decentralization of public management.
8. Access to information.

D. Institutional Implementation Structure

Institutional weakness has been the Achilles heel to achieving a modern and effective public management and production environment in the DR. The four major limiting factors faced have been **lack of strategic vision; lack of integrated vision; lack of coordination; and lack of implementation capabilities**. In order to achieve timely and effective implementation of priority projects within the national strategy, the Vision Group recommended taking advantage of existing high-level bodies or creating ad-hoc ones to be responsible for *strategic planning, coordination and follow-up* functions. These groups should ensure that there be mixed participation of all key public and private sector entities or persons involved, and that they also establish a decentralized functional organization to get the regions or provinces involved.

The proposed institutional structure is based on making functional and operational the **National Development Council**, which is presided over by the President, to formulate, evaluate and approve development strategies, public policies and structural reforms. The Council would act as the main board of directors for strategy formulation and implementation. The Council would be supported by an Economic Policy Unit to undertake strategic analysis, policy design, and follow-up of approved plans, programs or projects. Both national and international specialized consultants would support this unit.

In addition, the following five mixed national ad-hoc councils would be created to work as specialized bodies of the National Development Council and to be responsible for the execution of priority projects:

1. **National Competitiveness Council**, to oversee implementation of the cluster development, productivity and trade facilitation programs.
2. **National Infrastructure Council**, to put together and implement the national integrated physical infrastructure improvement plan.
3. **National Educational Modernization Council**, to implement the national educational modernization plan.
4. **Commission for Health Sector Reform**, to implement the national health modernization plan.
5. **National Council to Combat Poverty**, to implement the integrated plan to combat poverty.

The *National Development Council* would be directly responsible for the implementation or adoption of the integrated public financial management program, the macroeconomic policy framework, and pension system reform.

E. Strategy Benefits and Commitments

The social and economic benefits of implementing the strategy and priority projects are enormous. The nation would have or achieve:

- a) Better-educated, more knowledgeable, healthier, more secure and productive human capital base.
- b) More diversified, competitive and profitable production base effectively linked to the world economy.
- c) Greater social and economic rate of return on public expenditures by better linking the national budget to investment plans and development strategies.
- d) Macroeconomic policy framework that promotes stability and competitiveness instead of creating price distortions or an export bias.
- e) Improved social well-being for the population through better access to public services and by reducing poverty.

- f) Stronger institutional infrastructure.
- g) Dynamic and forward-looking private sector.
- h) Better-managed government.

In order to assimilate and implement the national strategy, the Vision Group is promoting the need to build *trust, the will to change, shared responsibility* and *joint actions*. The Group believes that this is vital to achieve greater *social capital accumulation*. The future of the strategy and the country lies therein.